Beneficiary-Centered Assignment and Medicare Part D

Jack Hoadley, Georgetown University Health Policy Institute
Elizabeth Hargrave, NORC at the University of Chicago
Katie Merrell, Social and Scientific Systems
Laura Summer, Georgetown University Health Policy Institute

September 4, 2008

The Rules

- CMS randomly assigned dual eligibles to qualifying plans for Part D's first year
  - Qualifying plans offer standard or actuarially equivalent benefit with premiums below regional benchmark
  - Beneficiary may choose different plan
  - No premiums, minimal cost sharing, and no coverage gap
- Random assignment had advantages in first year
  - Avoid steering beneficiaries into any particular plan
  - Stabilize new market
- Random re-assignment affects many beneficiaries when previously qualifying plans no longer qualify
  - About 2 million beneficiaries affected for 2008
  - New rules go into effect for 2009

Previous Report

- Under random assignment, differences in plan formularies and benefit design led to large variations in government and beneficiary costs
  - Limited look, based on commonly used drugs
- Beneficiary-centered assignment (BCA) assigns beneficiaries to good match with current drugs
- State experience showed feasibility of BCA
- BCA could be designed:
  - To reduce beneficiary out-of-pocket costs
  - To reduce need for off-formulary drugs or utilization management
  - To avoid added federal program costs

Key Questions

- Do the results change when considering larger portfolios of drugs?
- Do the results change when considering all premiums, deductibles, copays?
- What method of BCA works best, considering both beneficiary and government costs?
- How do costs for beneficiary and federal government compare to random assignment?
- What would be the effect of allowing assignment to enhanced plans?

Methodology

- Selected 5 regions (2008 plans)
- 10 portfolios of drugs for sample beneficiaries (2004 MCBS data)
  - All with multiple chronic conditions
  - Qualify for LIS
  - At least 4 drugs
  - Not intended to be representative

Plan Assignment Matters

10 Beneficiaries, 12 Plans, New York Region

	Beneficiary Spending		Government Spending	
Portfolio	**Min**	**Max**	**Min**	**Max**
Alice	$88	$1,730	$498	$1,549
Betty	$178	$3,345	$867	$4,182
Carla	$357	$1,902	$2,613	$4,141
Doris	$42	$413	$771	$1,396
Ellen	$161	$6,622	$1,049	$4,352
Frank	$24	$76	$488	$839
George	$70	$125	$1,553	$2,461
Helen	$487	$1,600	$2,836	$4,168
Irene	$93	$1,027	$2,591	$4,185
Jason	$38	$41	$5,063	$5,197

What Drives the Differences?

- Major factor is drugs that are off formulary for a particular plan
- Options for beneficiary:
  - Drug substitution, with help of physician
  - Request exception
  - Pay full cost out of pocket (no government subsidy)
  - Skip taking drug
  - Take advantage of option to switch plans
- Plan premiums are less important factor
  - Typically 10% or less of government costs

Different Ways to Implement Beneficiary-Centered Assignment

- ***Goal:*** Reduce the beneficiary's costs (and hassle), while keeping the government's costs as low as possible
- ***Rule 1:*** Minimize beneficiary costs under LIS rules (comparable to using Plan Finder)
- ***Rule 2:*** Minimize number of off-formulary drugs the beneficiary currently uses
- ***Rule 3:*** Minimize total costs paid per beneficiary (sum of costs paid by beneficiary and those paid by government for beneficiary)

Ellen's Options in California Region

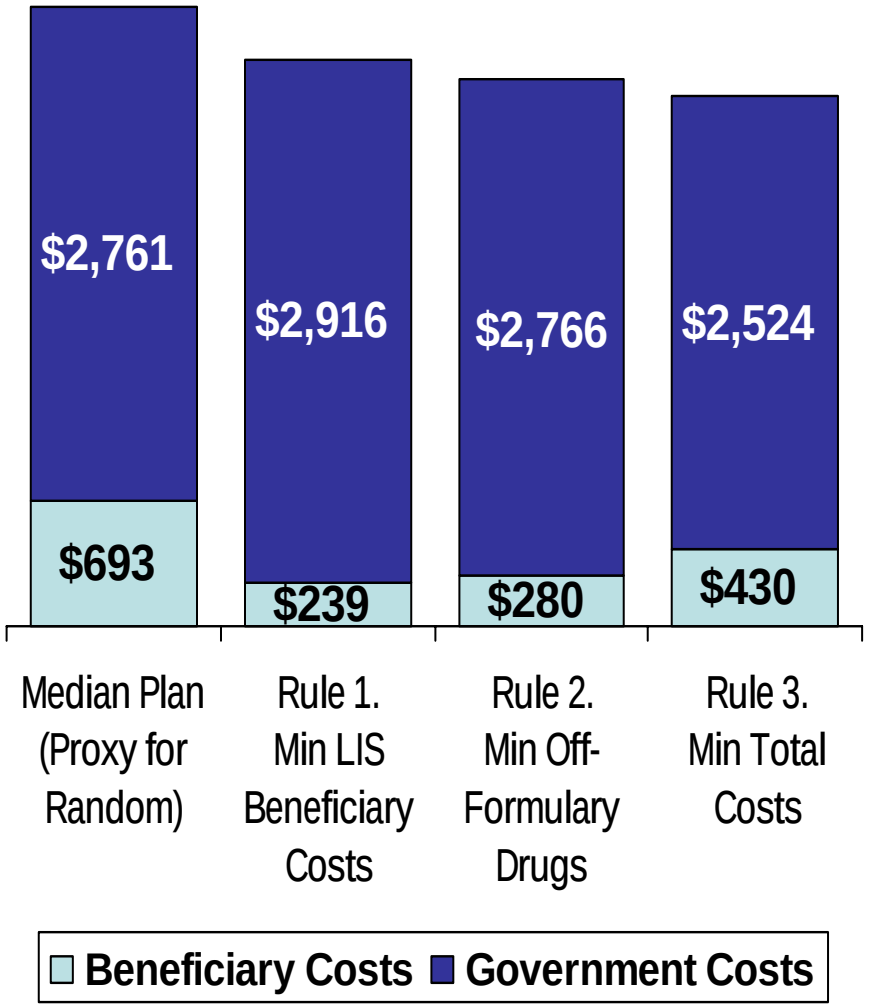
Plan	# Drugs Off Formulary	Beneficiary Costs	Government Costs	Rule that Chooses Plan
A	1	$2,564	$4,187	
B	2	$2,286	$3,836	
C	2	$1,472	$4,090	
D	2	$1,411	$4,153	
E	3	$3,456	$3,176	
F	4	$3,915	$2,301	
G	4	$3,015	$3,533	"Random"
H	5	$6,622	$1,026	
I	6	$6,235	$1,180	

Ellen's Options in California Region

Plan	# Drugs Off Formulary	Beneficiary Costs	Government Costs	Rule that Chooses Plan
A	1	$2,564	$4,187	2: Fewest Drugs Off Formulary
B	2	$2,286	$3,836	
C	2	$1,472	$4,090	3: Lowest Total Costs
D	2	$1,411	$4,153	1: Lowest Bene Costs
E	3	$3,456	$3,176	
F	4	$3,915	$2,301	
G	4	$3,015	$3,533	"Random"
H	5	$6,622	$1,026	
I	6	$6,235	$1,180	

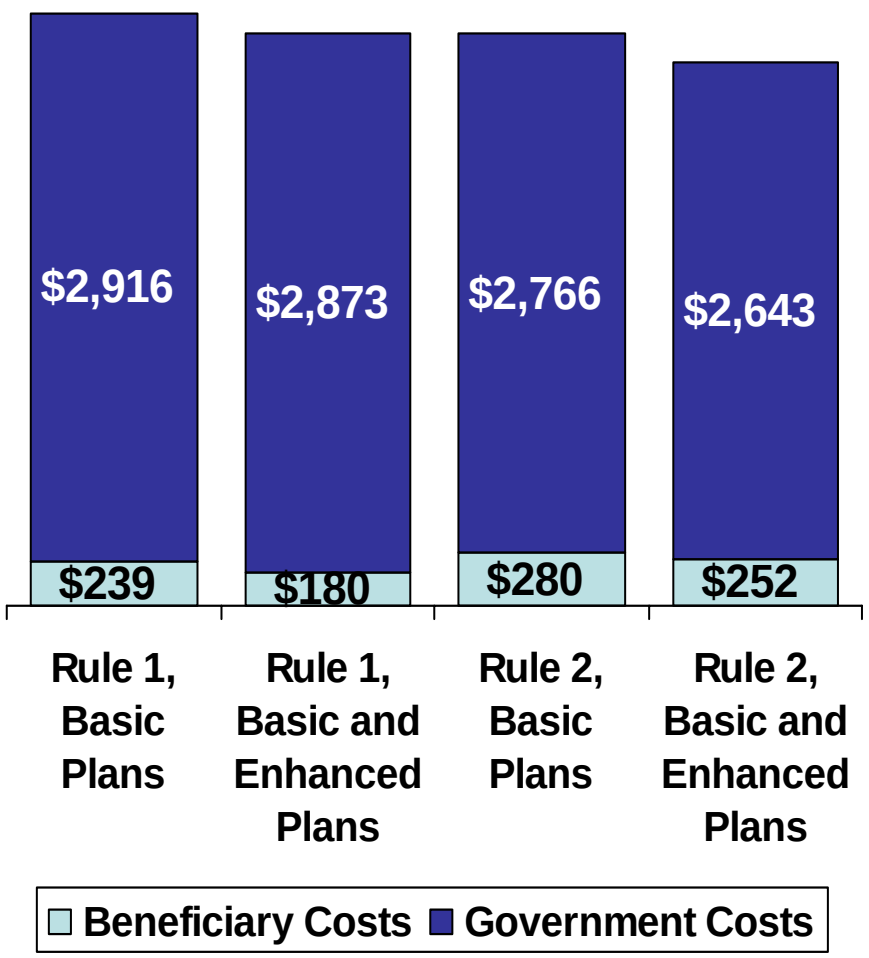
How Are BCA Results Different from Random Assignment?

(Average of 10 Beneficiaries, 5 Regions)



- All rules tested are better for the beneficiary, and two are better or about equal for the government.
- Rule 1 (by definition) has lowest beneficiary cost
- Rule 2 adds $41 average costs for beneficiaries over Rule 1; $150 less for government.
- Rule 3 reduces government costs further, but increases beneficiary costs by 80%.

What if Assignment to Enhanced Plans Is Permitted?



- Current law: Assignments only made to below-benchmark basic-benefit plans.
- Option: Allow assignment to enhanced plans with below-benchmark premium for basic benefit (same option as other beneficiaries)
- Considering additional options may reduce costs for both the beneficiary and the government.

Beneficiary-Centered Assignment: Conclusions

- Beneficiaries gain access to some or all currently used drugs with less hassle, lower costs
- Government may experience at most a small cost increase compared to random assignment.
- Regions with fewer qualifying plans have more cost variation under different rules and higher beneficiary costs.
- Despite possible extra government costs, BCA may be a rational approach to improve access and reduce costs and uncertainty for low-income beneficiaries.

Future Research

- Information from drug claims (and elsewhere) could help answer how beneficiaries respond when a current drug is off formulary in their plan:
  - How often do they switch?
  - Do they request exceptions?
  - Pay the cost of the drug out of pocket?
  - Stop taking the drug?
  - Switch plans?